

**FACT SHEET**  
**Good Neighbor Plan for the 2015 Ozone NAAQS**

**Creation of an Additional Group 3 Allowance Bank for the 2023 Control Period**

On March 15, 2023, the U.S. Environmental Protection Agency (EPA) issued its final Good Neighbor Plan, locking in significant reductions in ozone-forming emissions of nitrogen oxides (NO<sub>x</sub>), and benefitting millions of people living in downwind communities. The Good Neighbor Plan ensures that 23 states meet the Clean Air Act's "Good Neighbor" requirements by reducing pollution that significantly contributes to problems attaining and maintaining the 2015 Ozone National Ambient Air Quality Standards (NAAQS) in downwind states. Beginning in the 2023 ozone season, EPA will include power plant sources in 22 states in a revised and strengthened CSAPR NO<sub>x</sub> Ozone Season Group 3 Trading Program.<sup>1</sup> The 22 states include twelve states already covered by the Group 3 trading program, seven states transitioning from the CSAPR NO<sub>x</sub> Ozone Season Group 2 trading program, and three states not currently covered by any CSAPR trading program for seasonal NO<sub>x</sub> emissions.

To ensure that implementation of the Group 3 trading program will result in NO<sub>x</sub> emissions reductions sufficient to address significant contribution by all states that would be participating in the trading program, while also providing industry certainty (and obtaining an environmental benefit) through continued recognition of the value of saving allowances through early reductions in emissions, the EPA will convert allowances banked for control periods before 2023 under the Group 2 trading program into allowances usable in the Group 3 trading program in control periods in 2023 and later years. The conversion will apply to vintage 2017-2022 Group 2 allowances held in all compliance and all general accounts, except for those held in the compliance accounts of sources in the three states remaining in the Group 2 trading program.<sup>2</sup> The EPA will execute the conversion as soon as practicable on or after August 1, 2023.

The main elements of the creation of an additional Group 3 allowance bank are summarized below:<sup>3</sup>

- The conversion ratio will be determined as of the conversion date and will be the ratio of the total amount of vintage 2017-2022 Group 2 allowances held in the identified types of accounts prior to the conversion to the total amount of Group 3 allowances being created.
- The numerator of the conversion ratio (or the total amount of vintage 2017-2022 Group 2 allowances being converted) will be computed as the quantity of vintage 2017-2022 Group 2 allowances held in the following: (1) the facility accounts of all sources in the states transitioning from the Group 2 trading program to the Group 3 trading program, (2) the facility accounts of all

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<sup>1</sup> The 22 "Group 3 states" are Alabama, Arkansas, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wisconsin.

<sup>2</sup> The three states whose sources will continue to be covered by the Group 2 trading program are Iowa, Kansas, and Tennessee.

<sup>3</sup> For a complete description of the creation of the additional Group 3 allowance bank, refer to section VI.B.12.b. of the preamble for the final Good Neighbor Plan. For official regulatory text, refer to 40 CFR 97.826(e).

sources in the states already participating in the Group 3 trading program, (3) the facility accounts of all sources in any other states not covered by the Group 2 trading program that happen to hold Group 2 allowances as of the conversion date, and (4) all general accounts.

- The denominator of the conversion ratio (or the target amount of the Group 3 allowances that will be created in the conversion process) will be computed as the sum of the minimum 21 percent variability limits for the 2024 control period established for the 10 states being added to the Group 3 trading program. For a full ozone season, the target amount would be 23,094 Group 3 allowances.
- The target amount will be prorated to reflect the portion of the 2023 control period occurring on and after the effective date of the final rule. For example, if the effective date of the final rule is the eleventh day of the 153-day 2023 ozone season, the full-season initial bank target amount of 23,094 allowances would be prorated to an initial bank target amount of 21,585 allowances.
- The conversion ratio will be applied to each eligible account holding vintage 2017-2022 Group 2 allowances to determine the quantity of vintage 2023 Group 3 allowances to be recorded in each eligible account.
- After the rule is published in the **Federal Register**, the EPA will update this fact sheet with the relevant values contingent on the rule's effective date.

For questions concerning the creation of an additional Group 3 allowance bank, please contact [csapr@epa.gov](mailto:csapr@epa.gov).